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Construction Bulletin

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CEMP-E

Subject: USACE Management Costs on Total Environmental Restoration Contracts

Applicability: GUIDANCE

1. REFERENCES:

- a. ER 415-1-16, Construction Fiscal Management
- b. ER 5-7-1, Program/Project Management
- c. USACE TERC Management Plan, 17 Sep 93
- d. ER 37-2-10, Accounting and Reporting -- Civil Works Activities
- e. ER 37-345-10, Accounting and Reporting -- Military Activities

2. PURPOSE. This Construction Bulletin (CB) provides guidance on USACE management of Total Environmental Restoration Contracts (TERCs).

3. BACKGROUND.

a. Generally, HTRW work is broken into traditional phases which are Site Investigation (SI), Remedial Investigation/Feasibility Study (RI/FS), Remedial Design (RD), and Remedial Action (RA). The SI, RI/FS, and RD are engineering functions. The RAs are remediation activities performed during the execution phase. There may be other phases depending upon the program and applicable regulations, but HTRW work primarily revolves around these four traditional phases.

b. TERCs are flexible, cradle-to-grave cost reimbursement type contracts which allow one contractor to provide full service hazardous waste cleanup activities. Developed to meet the unique requirements of the hazardous waste industry, TERCs save time and money by shifting the primary emphasis from studies to cleanups, and by decreasing contract solicitation times. TERCs also allow more effective sequencing of work, streamlined coordination, elimination of duplicate effort, reduction of costly contract changes, and faster resolution of problems.

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c. Normally, USACE district-level engineering services such as Supervision and Review(S&R) of contractor Planning and Design (P&D) activities, and Engineering During Construction (EDC) are charged to the project on an actual-cost basis, as reflected by the direct labor charges and associated overhead costs and other direct support made to individual projects. RA supervision and administration (S&A) for projects using military appropriations (except ordnance response actions) is charged at the flat-rate against the RA contract costs (for DERP and BRAC, the current rates are 8 percent for CONUS and 8.5 percent for OCONUS projects.) On the other hand, RA management of non-military projects such as civil works, support for others, and non-appropriated fund is charged to the project on an actual-cost basis (see encl.)

4. IMPLEMENTATION.

a. To properly charge and account for management costs of TERC task orders subject to flat rate S&A, USACE management services such as S&R during engineering activities, EDC, and S&A during remedial activities must be segregated. When a task order includes both remedial design and remedial action, contractor costs need to be segregated (preferably by work allocation document (WAD) number) and integrated into the contractor's work breakdown structure (WBS) for accounting. For accounting purposes, government accounts must be structured to include separate ordering work items for contract RD and contract RA costs. For military appropriations, Government S&A charges are priced at the flat rate against the RA contract costs. The S&R and EDC expenses are normally directly charged against the project. The HQUSACE management plan for TERC (reference 1c) requires districts utilizing TERC to have a "streamlined electronic reporting process....to ensure that the TM and the PM each receive the required information concurrently." This full and timely reporting is critical for the effective management of contractor work under a TERC as well as for the accurate charging of USACE management costs.

b. As stated above, it is important that the TERC contractor costs not only be properly classified as either engineering (investigation/design) or remediation, but that individual USACE labor hours be properly classified as either performing engineering management functions or RA management functions. Accordingly, it is possible and proper that USACE construction division personnel performing Biddability Constructibility Operability and Environmental (BCOE)-like functions during TERC investigation/design work be directly charged to the project on an actual-cost basis. Conversely, it is possible and proper that engineering or project management personnel performing supervision and administration related functions on TERC remediation work to be charged to the S&A flat rate account (reference 1a). Proper analysis/classification, effective communication and teamwork are the key to accurately and reasonably charge the proper account. Failure to do so may result in either undercharging or overcharging for our services. These mischarges are equally improper, and are the type of fiscal integrity issues which are reported under the annual audits conducted in accordance with the Chief Financial Officers (CFO) Act.

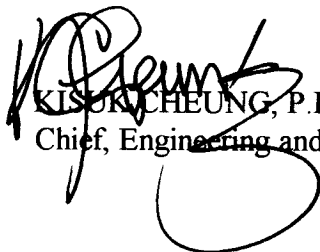
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c. Conformance to accounting integrity and fiscal law requirements is everyone's responsibility. It is also equally important to insure that our customers are receiving what they are paying for regarding construction S&A charges and direct charges for investigation/design services. Under the Strategic Vision, we are all committed to making dramatic improvements in performance and customer satisfaction. We all need to find ways to add value to the services we provide our customers, while reducing our costs.

5. This CB was coordinated with the following HQUSACE organizations: Office of the Principal Assistant for Contracting (CEPR-ZA); Environmental Restoration Division (CEMP-R); Office of the Chief Counsel (CECC-ZA); and Finance and Accounting Division (CERM-F).

Encl


KISUK CHEUNG, P.E.
Chief, Engineering and Construction Division

Matrix of Environmental Remediation Work Phases and USACE Management Charges

Type Program	Site Investi- gation (1)	USACE Mgt Charges (1)	Remedial Investig./ Feasibility Studies (2)	USACE Mgt Charges (2)	Remedial Design (3)	USACE Mgt Charges (3)	Remedial Action (4)	USACE Mgt Charges (4)
Military Programs	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	S&A Flat Rate (8% COUNUS)
CW Programs	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	Actual Cost
Support For Others Programs	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	Actual Cost	\$\$\$\$\$	Actual Cost

Notes:

(a) Except for the remedial action (i.e., "construction-like") phase of environmental remediation work for military programs only, all USACE management charges are actual cost for all programs. This is true regardless of the pricing structure of the contract (e.g., fixed price lump sum/ unit cost, cost-plus fee, etc.).

(b) USACE management must identify and track costs incurred by a contractor during this remedial action phase so that the appropriate S&A flat rate may be applied only for this work. It is important that USACE managers and our customers know and understand the different pricing structure for various customers and work phases. These differences reflect the nature of different fiscal appropriations (e.g., military, civil, non-appropriated funds, etc.) and the S&A revolving account structure. It is also important to know specific costs (contractor and government) of each phase for general management control purposes.

Enclosure